

**Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554**

In the Matter of)	
)	
Connect America Fund)	WC Docket No. 10-90
)	
A National Broadband Plan for Our Future)	GN Docket No. 09-51
)	
Establishing Just and Reasonable Rates for Local Exchange Carriers)	WC Docket No. 07-135
)	
High-Cost Universal Service Support)	WC Docket No. 05-337
)	
Developing a Unified Intercarrier Compensation Regime)	CC Docket No. 01-92
)	
Federal-State Joint Board on Universal Service)	CC Docket No. 96-45
)	
Lifeline and Link-Up)	WC Docket No. 03-109
)	
Universal Service Reform—Mobility Fund)	WT Docket No. 10-208

COMMENTS OF FRONTIER COMMUNICATIONS CORPORATION

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SUMMARY

Frontier provides comments on ways to develop and implement mechanisms of the Connect America Fund (“CAF”) that will maximize broadband deployment while using the Commission’s four principles for reform as its guideposts: (1) modernize USF and ICC for broadband; (2) fiscal responsibility; (3) accountability; and (4) incentive-based policies.

On the subject of standardized broadband testing and reporting, while the Commission could take steps to ensure that the broadband testing methods used are sound, it should allow ETCs some flexibility in the actual methodology used. Specifying a particular hardware or software option may inhibit a provider from adopting a more advanced testing methodology or, at a minimum, increase the burden and expense on that ETC. While providing a range of testing options is the best solution, should the Commission decide to adopt a single testing methodology it should allow the industry to take the lead on establishing the methodology. Though Frontier believes that flexibility is helpful in network testing, standardizing the reporting requirements would be helpful to ensure continuity among providers.

When the Wireline Competition Bureau and Wireless Telecommunications Bureau conduct their surveys to compare voice and broadband rates in urban and rural areas they should be mindful that voice and broadband rates in urban areas reflect not only the unique competitive traits of those markets but rates that are based on lower actual costs to provide service. Any funding that an ETC receives from the CAF will necessarily be for the highest cost areas and is not meant to completely fund a network, but instead to change the economics of providing service so that it becomes economically feasible to serve. As a result, the service rates that the Commission deems are “reasonably comparable”, should be most closely aligned with the rates a provider charges in more comparable, yet still competitive, territories.

Frontier disagrees with Public Knowledge and the Benton Foundation that high-cost communities should be treated differently with respect to interconnection, backhaul availability, and separate funding opportunities if they decide to start their own broadband network. Providing interconnection points and backhaul capability comes at a substantial cost to a wireline provider and to the extent those costs are not included in the CAF-recipients’ funding it would violate the Universal Service Fund’s statutory “sufficiency” requirement only to fund a competitive network. Frontier does not object to negotiating with municipal networks in good faith for interconnection and backhaul capacity so long as it does so on the same basis that it treats every other carrier utilizing its network.

Frontier supports the Commission’s aim to appropriately match funding and obligations; the appropriate starting place is to narrow the service area over which obligations are required so that unsupported territories are not subject to further obligation. Accordingly, Frontier supports those commenters that propose the Commission use either its statutory authority or forbearance authority to grant the requisite relief. Any relief granted to the ILECs should be done on the wire center level.

The Commission already has sufficient universal service enforcement mechanisms in place and further rules are not needed at this time. In particular, the Commission should not require ETCs

to post a letter of credit in order to receive funds as it unnecessarily diverts resources away from broadband deployment.

As Phase II of the CAF is put into place advanced services will be delivered deeper into high-cost areas of the network; these services in turn will also likely need to be leveraged for backhaul to fuel the demands of the mobile service provider that receives funding through the mobility fund. It is important for the Commission to recognize, however, that there are often additional costs to the wireline provider associated with delivering backhaul to the specific site necessary to provide mobile coverage. The Commission should ensure that funding levels are adequate to cover the often substantial initial costs of deploying sufficient backhaul to the cell site.

In the event an ILEC does not elect to accept CAF Phase II funding to provide coverage statewide throughout its service territory, the Commission should recognize that an ILEC still may have an important role to play in bringing broadband to those areas. Should an ILEC decline the funding, the appropriate geographic area for bidding would be the census-block level, which bidders could aggregate as appropriate. The obligations associated with CAF funding should not change regardless of whether the incumbent declines support for its area.

The Commission should allow CAF recipients to partner with voice service providers to ensure that quality standalone voice service is available in very high cost (remote) areas. Allowing a broadband provider that cannot provide adequate voice services, such as a satellite provider, to partner with a voice provider established as an ETC that cannot provide adequate broadband service in a remote area, such as a terrestrial carrier, would provide assurance that the required quality voice and broadband services will be provided.

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COMMENTS OF FRONTIER COMMUNICATIONS CORPORATION

I. INTRODUCTION

Frontier Communications Corporation (“Frontier”) hereby submits the following comments in response to the Federal Communications Commission’s (“Commission” or “FCC”) request for comment on its *Further Notice of Proposed Rulemaking* addressing reforms of the Universal Service Fund (“USF”) and intercarrier compensation (“ICC”).¹

¹ *In re: Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up; Universal Service Reform—Mobility Fund*, WC Dkt. Nos. 10-90, 07-135, 05-337, 03-109; GN Dkt. No. 09-51; CC Dkt. Nos. 01-92, 96-45, WT Dkt. No. 10-208, *Report and Order and Further Notice of Proposed Rulemaking*, FCC 11-161 (rel. Nov. 18, 2011) (“*Report & Order*” or “*FNPRM*” respectively).

Frontier, which operates a telecommunications network across 27 states, is the largest provider of communications services focused on rural America. Accordingly, Frontier is committed to doing its part to meet the Commission's broadband deployment goals in its territories.² Frontier is investing hundreds of millions of dollars to deploy broadband in predominantly rural areas; areas that the Commission has found are most likely to lack broadband service.³ Frontier is able to make such significant investment in rural broadband due to a financial framework that combines sound business decisions, shareholder support, payments from other carriers utilizing our infrastructure (i.e., ICC), and indirectly, USF support.

Frontier's broadband deployment commitments are specific and meaningful; Frontier is committed to invest in America's future by deploying broadband with download speeds of at least 4 Mbps to 85 percent of the territories it acquired from Verizon (4.8 million access lines across 14 states) by 2015.⁴ At acquisition, Frontier's new territories had only 62 percent broadband coverage, in contrast to a 92 percent broadband deployment rate in Frontier's legacy territory. This 92 percent was achieved in high-cost, low density areas, demonstrating Frontier's past and continued support to broadband deployment.⁵

² *Id.* at ¶ 51 ("All Americans in all parts of the nation, including those in rural, insular, and high-cost areas, should have access to affordable modern communications networks capable of supporting the necessary applications that empower them to learn, work, create, and innovate.").

³ *In re: Inquiry Concerning the Deployment of Advanced Telecommunications Capability to All Americans in a Reasonable and Timely Fashion, and Possible Steps to Accelerate Such Deployment Pursuant to Section 706 of the Telecommunications Act of 1996, as Amended by the Broadband Data Improvement Act; A National Broadband Plan for Our Future*, GN Docket Nos. 10-159; 09-51, *Sixth Broadband Deployment Report*, FCC 10-129 at ¶ 28 (rel. July 20, 2010) ("*Sixth Broadband Deployment Report*") ("Based on our analysis, we conclude that broadband is not being deployed to all Americans in a reasonable and timely fashion. Our analysis shows . . . approximately 14 to 24 million Americans do not have access to broadband today. [This] group appears to be disproportionately lower-income Americans and Americans who live in rural areas.").

⁴ *See in re: Applications Filed by Frontier Communications Corporation and Verizon Communications Inc. for Assignment or Transfer of Control*, WC Docket No. 09-95, *Memorandum Opinion and Order*, 25 FCC Rcd. 5972 at App. C (rel. May 21, 2010) (*Frontier-Verizon Acquisition Order*). Frontier completed its acquisition from Verizon on July 1, 2010.

⁵ *Id.* at ¶ 50.

The reforms that the Commission undertakes in its *Report & Order and FNPRM* are far-reaching and impactful for Frontier and its rural customers; funds received from USF and ICC have accounted for approximately 10 percent of Frontier’s total revenues annually—revenues that go towards broadband investment.⁶ Frontier applauds the Commission’s reform efforts that were necessary to modernize USF and ICC for a broadband world. Frontier specifically commends the Commission for reforming USF and ICC in lockstep, a process that Frontier and others have supported,⁷ as both have been and will continue to be critical to Frontier’s substantial broadband deployment.

Frontier comments herein on ways to develop and implement mechanisms of the Connect America Fund (“CAF”) that will maximize broadband deployment while using the Commission’s four principles for reform as its guideposts: (1) modernize USF and ICC for broadband; (2) fiscal responsibility; (3) accountability; and (4) incentive-based policies.⁸ All of these combine to ensure a broadband future for all Americans.

II. PUBLIC INTEREST OBLIGATIONS SHOULD BE SPECIFICALLY TARGETED TO ACHIEVING THE COMMISSION’S CORE GOALS

A. Some Standardization of Broadband Service Measurements Can Still Allow for Needed Flexibility in Testing and Reporting

The *FNPRM* seeks comment on whether it should “adopt a specific measurement methodology” for Eligible Telecommunications Carriers (“ETCs”) to verify network performance in order to comply with the *Report & Order*’s adopted rules requiring ETCs to test

⁶ See Frontier Communications Corp., Annual Report (Form 10-K), at 21 (Feb. 25, 2011).

⁷ See generally Letter from Robert W. Quinn, Jr., AT&T, Steve Davis, CenturyLink, Michael T. Skrivan, FairPoint, Kathleen Q. Abernathy, Frontier, Kathleen Grillo, Verizon, and Michael D. Rhoda, Windstream, to Marlene H. Dortch, Secretary, FCC, WC Docket No. 10-90 et al., (filed July 29, 2011) (ABC Plan).

⁸ *Report & Order and FNPRM* at ¶ 11.

and report their networks' actual speed and latency.⁹ While the Commission could take steps to ensure that the broadband testing methods used are sound, it should allow ETCs some flexibility in the actual methodology used.

The Commission acknowledges that different “commercial hardware and software as well as some free, non-commercial options are available” to test network performance.¹⁰ Accordingly, the Commission should evaluate several of these tests and provide ETCs with a choice of measurement tests that meet the ETCs' individual requirements. Many ETCs have reliable testing methodologies in place today which test not only the speed and latency of the network but other components of the network as well, though not every ETC seeks the same level of performance data so these testing methodologies may differ. Specifying a particular hardware or software option may inhibit a provider from adopting a more advanced testing methodology or, at a minimum, increase the burden and expense on that ETC because it would have to run a dual set of network tests.

Having a range of tests approved for use, including free options, would solve other problems as well. For example, it answers the Commission's question as to how it can “eas[e] the performance measuring obligations on smaller broadband providers” while also “ensur[ing] that their customers are receiving reasonably comparable service.”¹¹ If a test is free and the Commission deems it reliable there is no reason that the ETC could not adequately measure its network performance, despite its size. Also, it allows the Commission to have tests that meet different technological needs and could be inclusive of wireless broadband networks that should also have to meet Commission standards for performance in order to receive support. Further,

⁹ *FNPRM* at ¶ 1013.

¹⁰ *Id.*

¹¹ *FNPRM* at ¶ 1017.

allowing a range of testing methods allows for easy upgrading in the face of inevitable technological advances in network testing; the Commission and the industry would not be locked into a technologically outdated measurement system while the Commission updates its requirements.

While providing a range of testing options is the best solution, should the Commission decide to adopt a single testing methodology it should allow the industry to take the lead on establishing what that methodology should be. Through the “Sam Knows” project, the industry demonstrated that it has the capability to work collaboratively with the Commission to determine a workable path forward for broadband measurement.¹² The results from that experience should inform the Commission’s view of how to establish such methodologies in the future to determine a solution that meets the needs of both the industry and the Commission.

Though Frontier believes that flexibility is helpful in network testing, standardizing the reporting requirements would be helpful to ensure continuity among providers. Frontier supports the Commission’s position that ETCs should certify to USAC that they are meeting their network requirements,¹³ and this should be done via a standardized form with the underlying data available for audit though not necessarily submitted with every report. This procedure ensures the Commission’s goal of accountability without burdening ETCs to continually file voluminous test results that may never be examined; Frontier’s own experience demonstrates that there is a substantial resource difference in preparing and retaining reports for audit and inspection when needed as opposed to preparing for submission. Retaining the test results for USAC audits also

¹² FCC, MEASURING BROADBAND IN AMERICA: A REPORT ON CONSUMER WIRELINE BROADBAND PERFORMANCE IN THE U.S., 8 (2011) (“The techniques used in the study . . . were developed through a collaborative process involving 13 major ISPs, academics and other researchers, consultants, and consumer organizations.”).

¹³ *FNPRM* at ¶ 1015.

has the benefit of avoiding the confidentiality complications that would come with preparing test results for public inspection.¹⁴

B. Reasonable Comparability in Voice and Broadband Services Should Account for a Provider's Existing Service Offerings Where Urban Offerings Are Inapt Comparisons

When the Wireline Competition Bureau and Wireless Telecommunications Bureau conduct their surveys to compare voice and broadband rates in urban and rural areas they should be mindful that voice and broadband rates in urban areas reflect not only the unique competitive traits of those markets but rates that are based on lower actual costs to provide service.¹⁵ As Frontier now has an average density of 28 households per square mile, its territory is hardly urban. Therefore, basing its future offerings on a strictly urban comparison is inapt. The Commission should instead look to a provider's average rate across its entire territory in which competition exists, which would take into account the particular difficulties of distance and terrain often found in rural areas but generally lacking in urban areas.

Frontier is subject to broadband competition across most of its territory and its product and service offerings are designed to be competitive in the market place as well as reflect the actual costs of serving these relatively sparsely populated areas. Any funding that an ETC receives from the CAF will necessarily be for the highest cost areas and is not meant to completely fund a network, but instead to change the economics of providing service so that it becomes economically feasible to serve. As a result, the service rates that the Commission deems are "reasonably comparable," should be most closely aligned with the rates a provider charges in more comparable, yet still competitive, territories. The Commission should bear this in mind

¹⁴ *Id.* at ¶ 1016.

¹⁵ *Id.* at ¶ 1018.

when determining the acceptable standard deviations that it will use for its determination of when a service is priced in a manner “reasonably comparable” to urban areas.

In this vein, the Commission’s suggestion that rates should be “normalized to disposable income”¹⁶ is not helpful towards determining rates in high cost areas. Indeed such normalization could have the inverse effect of creating artificially low rates in high-cost areas that do not reflect the cost of service even when CAF-support is included in the provider’s calculation. The issue the Commission raises is more properly addressed in the question of how the Universal Service Fund should be used to help adoption rates via a modernized Lifeline and LinkUp program. Inadequate rate structures would be a disincentive towards a carrier accepting support and would jeopardize one of the Commission’s core goals of ensuring that advanced services are deployed to unserved areas.

C. Municipal Networks Should be Treated the Same as All Other Broadband Carriers

Frontier disagrees with the positions of Public Knowledge and the Benton Foundation (“Public Interest Groups”) that high-cost communities should be treated differently with respect to interconnection, backhaul availability, and separate funding opportunities if they decide to start their own broadband network.¹⁷ The Public Interest Groups’ suggestion that CAF recipients should “be required to make interconnection points and backhaul capacity available so that unserved high-cost communities could deploy their own broadband networks”¹⁸ is contrary to the Commission’s goals of fiscal responsibility and incentive-based policies.

Providing interconnection points and backhaul capability comes at a substantial cost to a wireline provider and to the extent those costs are not included in the CAF-recipients’ funding it

¹⁶ *Id.* at ¶ 1026.

¹⁷ *Id.* at ¶¶ 1029-30.

¹⁸ *Id.* at ¶ 1029.

would violate the Universal Service Fund’s statutory “sufficiency” requirement.¹⁹ Yet even providing funding for such a requirement threatens the Commission’s goal of fiscal responsibility and preserving a \$4.5B budget for high-cost universal service. The Commission stated that the *Report & Order* takes “important steps to control costs and improve accountability in USF, and [its] estimates of the funding necessary for components of the CAF and legacy high-cost mechanisms represent [its] predictive judgment as to how best to allocate limited resources at this time.”²⁰ Significantly, the proposals of the Public Interest Groups are not included in the Commission’s “predictive judgment” for how to allocate resources, which means that in order to stay within the Commission’s predetermined budget, the funds would be extracted from other CAF projects the Commission has already deemed necessary.

Frontier sees no reason why the Commission should take extra steps to fund what are essentially competitive networks to those that the Commission has already decided to fund simply because they are to be operated by a local government. The CAF program, as laid out in the *Report & Order*, is already meant to bring service to unserved areas and the Public Interest Groups’ suggestion to fund additional networks in these unserved areas is duplicative and unnecessary given the Commission’s fiscal constraints. Frontier does not object to negotiating with municipal networks in good faith for interconnection and backhaul capacity so long as it does so on the same basis that it treats every other carrier utilizing its network.

III. AN ETC’S SERVICE REQUIREMENTS SHOULD BE TAILORED TO MATCH THE SUPPORT GIVEN

¹⁹ 47 U.S.C. § 254(b)(5) (“There should be specific, predictable and sufficient Federal and State mechanisms to preserve and advance universal service”).

²⁰ *Report & Order* at ¶ 123.

The Commission is correct in its “aim to ensure that obligations and funding are appropriately matched, while avoiding disruptions in access to communications services.”²¹ Frontier supports the Commission’s position that the appropriate starting place is to narrow the service area over which obligations are required for the logical reason that “ETCs may receive reduced support in their existing service areas, and ultimately may no longer receive any federal high-cost support.”²² In such a situation where a carrier receives no high-cost funding it would be illogical and patently unfair to saddle those providers with monopoly-era regulations, especially as all areas will necessarily be competitive because funding will not go to areas with unsubsidized competitors.

Accordingly, Frontier supports those commenters that “suggest that the Commission adopt a rule under section 201 or 254(f) providing that an ETC’s section 214(e)(1) ‘service area’ ‘should be limited to those specific geographies (e.g., wire centers) where the ETC is receiving universal service support.’”²³ Frontier similarly supports proposals that the Commission should grant blanket section 10 forbearance “to the extent [section 214(e)(1)] requires ETCs to offer service in areas where they receive no universal service support.”²⁴ As a company, Frontier had invested nearly \$700M in capital expenditures for its territory in the first three quarters of 2011 alone.²⁵ Given this level of investment, the Commission’s concern of “consumer disruption in access to communications services”²⁶ is unwarranted as it would make no business sense for Frontier to

²¹ *FNPRM* at ¶ 1089.

²² *Id.* at ¶ 1095.

²³ *Id.* at ¶ 1098.

²⁴ *Id.* at ¶ 1099.

²⁵ Press Release, Frontier Communications, Frontier Communications Reports 2011 Third Quarter Results (Nov. 3, 2011) available at <http://phx.corporate-ir.net/phoenix.zhtml?c=66508&p=irol-newsArticle&ID=1625554&highlight=>

²⁶ *FNPRM* at ¶ 1089.

abandon its customers if granted regulatory relief; to do so would mean that Frontier would strand the significant levels of investment used for the sole purpose of better serving its customers.

The wire center is the appropriate geographic basis for granting regulatory relief because, as the Commission acknowledges, it is “the actual network architecture of fund recipients.”²⁷ Using a different geographic basis would lead to a strange patchwork of regulated areas that would be difficult to account for and implement. Though other geographic areas, such as census blocks, may be a more “technology neutral” means for granting ILECs regulatory relief, to do so would ignore the fact that the wire center is the geographic instrument of the ILEC, the regulated industry and technology to date. Frontier’s networks are designed on a wire center basis and trying to shoehorn its regulatory responsibilities into different geographic areas would necessitate devoting substantial resources into determining how to comply with a new geographic pattern. Using the wire center as the geographic tool for regulatory relief is the best policy to further the Commission’s goals of promoting accountability and incentive-based policies.

IV. ACCOUNTABILITY MEASURES SHOULD RECOGNIZE THE HISTORICAL PERFORMANCE OF THE SUPPORT RECIPIENT

Frontier understands and supports the Commission’s goals of furthering accountability of support recipients; however it should not treat all ETCs as if the new Universal Service program starts from a blank slate. To this end, Frontier supports the *Report & Order*’s new rules that “reduce support should [entities receiving high-cost universal service support] fail to fulfill their public interest obligations.”²⁸ This is the appropriate accountability mechanism for ILECs that

²⁷ *Id.* at ¶ 1101.

²⁸ *Id.* at ¶ 1104.

have a long history of receiving and using universal service funding consistent with Commission obligations.

In addition to the new rules it creates, the Commission notes in the *Report & Order* that its “existing rules already have self-effectuating mechanisms to incent prompt filing of requisite certifications and information necessary to calculate support amounts,”²⁹ and that “in the majority of cases . . . the Commission’s existing enforcement procedures and penalties will adequately deter noncompliance with the Commission’s rules, as herein amended, regarding high-cost and CAF support.”³⁰ Accordingly, it is not clear why additional remedies for noncompliance are necessary, particularly for ILECs that have a long history of regulatory compliance.

Frontier strongly opposes the Commission’s proposal that “a recipient of high-cost and CAF support should be required to post financial security as a condition to receiving that support to ensure that it has committed sufficient financial resources to complying with the public interest obligations required,” to the extent that this is required of ILECs.³¹ The Commission envisions that the posted financial security will come in the form of a letter of credit (“LOC”) that all ETCs would be required to obtain by January 1, 2013.³²

Requiring a LOC may be an appropriate action where the ETC has violated the Commission’s rules. The Commission seems to set off on such a course, asking about further accountability measures “in the event an ETC fails to comply with [its] rules regarding receipt of high-cost universal service support,”³³ and seeks comment about the LOC in the context of it

²⁹ *Id.* at ¶ 616.

³⁰ *Id.* at ¶ 617.

³¹ *Id.* at ¶ 1105.

³² *Id.*

³³ *Id.* at ¶ 1104.

being “the first alternative remedy [it] propose[s] for non-compliance.”³⁴ Yet, despite this backdrop, the LOC requirement quickly becomes not one just for ETCs that have failed to comply, instead the FCC proposes to “adopt financial performance guarantee requirements for ETCs that receive funding through processes other than competitive bidding”—in other words *all* ETCs, not just the non-compliant ETCs. It is unclear why the Commission would need to adopt a prophylactic LOC requirement if it believes its enforcement mechanisms are sufficient.

A LOC requirement for ILECs steeped in a tradition of stability and compliance could deter the ILEC from accepting CAF funding as it adds additional costs. Frontier has had and continues to hold certain LOCs where appropriate for the situation, but the Commission must be aware that Frontier “is required to pay an annual facility fee on the available commitment, regardless of usage”³⁵ and that if Frontier receives a significant amount of high cost CAF funding, as is possible given its large amount of high cost territory, the accompanying LOC fee would also be large. The LOC—and the associated fees—would be even larger if the amount of the LOC needed to increase by the amount necessary to “ensure the continuing maintenance and operation of the network.”³⁶ This fee would utilize resources and available credit opportunities that could otherwise be devoted to additional infrastructure deployment to further the Commission’s broadband goals. It is unnecessary given Frontier’s history of receiving and complying with the Commission’s terms of support for Universal Service funding without the need for such financial mechanisms, further proving the sufficiency of the Commission’s current enforcement mechanisms.

V. FUTURE SUPPORT AWARDS IN OTHER FUNDING CATEGORIES SHOULD MAXIMIZE EXISTING INFRASTRUCTURE

³⁴ *Id.* at ¶ 1105.

³⁵ *See* Frontier Communications Corp., Quarterly Report (Form 10-Q), at 13 (Nov. 4, 2011).

³⁶ *FNPRM* at ¶ 1108.

As a price cap carrier, Frontier's primary interests lie in the development of the Connect America Fund Phases I and II. While Frontier will not be as involved with other aspects of the Commission's broadband programs developed in the *Report & Order and FNPRM*, it offers limited comment to emphasize the benefits that can come to all of the other broadband programs by recognizing that ILECs have existing infrastructure in place and ensuring that it is appropriately utilized.

A. The Mobility Fund Should Ensure Adequate Funding for Backhaul Services

The *FNPRM* seeks comment on the use of both a reverse auction and a funding model for distributing fund in Phase II of the mobility fund.³⁷ As Phase II of the CAF is put into place advanced services will be delivered deeper into high-cost areas of the network; these services in turn will also likely need to be leveraged for backhaul to fuel the demands of the mobile service provider that receives funding through the mobility fund.

It is important for the Commission to recognize, however, that there are often additional costs to the wireline provider associated with delivering backhaul to the specific site necessary to provide mobile coverage. Regardless of whether the Commission selects an auction or a model for the Phase II Mobility Fund, the Commission should ensure that funding levels are adequate to cover the often substantial initial costs of deploying sufficient backhaul to the cell site. Also, the Commission should recognize that operating as a backhaul provider increases the strain on a wireline provider's overall network design; providing for additional capacity creates additional costs that the wireline provider will need to recover. The US Cellular model for Phase II CAF takes into account that backhaul is a necessary operational expense to be factored into the overall

³⁷ See *FNPRM* § I.

support calculation.³⁸ Frontier urges the Commission to ensure that, like US Cellular's model, Phase II of the Mobility Fund makes available the appropriate funding for backhaul and middle mile facilities so the wireline provider is not required to disproportionately frontload operational costs necessary to provide the service.

B. ILECs Can Play a Valuable Role Even Where an ILEC has Refused Initial Phase II CAF Funding

In the event an ILEC does not elect to accept CAF Phase II funding to provide coverage statewide throughout its service territory, the Commission should recognize that an ILEC still may have an important role to play in bringing broadband to those areas. There could be any number of factors that inform an ILEC to make such a determination, including the determination that the support offered is simply inadequate to meet its obligations in that territory. Yet even if the ILEC makes that determination, it is simply a decision that those particular funding and obligation terms do not make business sense; in the event that the funding terms change via a competitive auction then the ILEC would be well positioned to participate and excel in such an environment to the benefit of consumers.

Should an ILEC decline the funding, Frontier agrees with the Commission that the appropriate geographic area for bidding would be the census-block level, which bidders could aggregate as appropriate.³⁹ Using the census block level would be beneficial because it would allow the ILECs, which the Commission has already found are well positioned to quickly and efficiently provide broadband to unserved areas, to bid on a significant amount of its territories and pinpoint those areas that it feels the model may have misidentified the correct level of support. Another benefit to using the census blocks is that smaller providers would not have to

³⁸ Letter from David A. LaFuria, Counsel for U.S. Cellular, to Marlene H. Dortch, FCC, WC Dkt. Nos. 10-90, 07-135, 05-337, 03-109; GN Dkt. No. 09-51; CC Dkt. Nos. 01-92, 96-45, WT Dkt. No. 10-208, Attachment at 11 (filed Aug. 6, 2011).

³⁹ *FNPRM* at ¶ 1192.

face the prospect of committing to serve large swaths of land just to serve a smaller subset that it may already be well positioned to serve. One final advantage of using census blocks is that they are targeted enough to allow an ILEC neighboring the area where support is declined to make use of its existing infrastructure to make slight expansions to its existing territory and provide broadband in an efficient manner that benefits consumers.

Frontier agrees that the obligations associated with CAF funding should not change regardless of whether the incumbent declines support for its area.⁴⁰ A shifting set of obligations creates uncertainty and may encourage gaming of the system that was designed to promote near-term stability while the Commission determines the best course of action to continue high-cost broadband deployment and availability after the five-year statewide commitment. Should the Commission decide to change the obligations in the face of an incumbent refusal, it is important that the incumbent has the same options to bid at reduced levels of obligations in the subsequent funding disposition. This would ensure that the Commission leverages the existing incumbent infrastructure the most efficient broadband deployment process.

C. The Remote Areas Fund Should Allow for Partnerships to Provide Terrestrial Voice Support in Very High Cost Areas

The Commission should allow CAF recipients to partner with voice service providers to ensure that quality standalone voice service is available in very high cost (remote) areas, as it originally proposed in its *NPRM* on this subject.⁴¹ Allowing broadband and voice service providers to partner would meet the statutory requirement that ETCs can “offer the services that

⁴⁰ *Id.* at ¶ 1203 (“We propose that recipients of support awarded through this competitive bidding process be obligated to provide service meeting specified performance requirements. Further, we propose that these performance requirements be the same as those required of providers that accept model-determined support.”).

⁴¹ *In re: Connect America Fund; A National Broadband Plan for Our Future; Establishing Just and Reasonable Rates for Local Exchange Carriers; High-Cost Universal Service Support; Developing a Unified Intercarrier Compensation Regime; Federal-State Joint Board on Universal Service; Lifeline and Link-Up*, WC Dkt. Nos. 10-90, 07-135, 05-337, 03-109; GN Dkt. No. 09-51; CC Dkt. Nos. 01-92, 96-45, *Notice of Proposed Rulemaking and Further Notice of Proposed Rulemaking*, FCC 11-13, ¶ 98 (rel. Feb. 9, 2011).

are supported by Federal universal service mechanisms under Section 254(c), either using its own facilities or a combination of its own facilities and resale of another carrier's services (including the services offered by another eligible telecommunications carrier.)”⁴² Such a combination would be even more logical given that the Commission maintains that voice is the supported service while the network must be broadband-capable. Allowing a broadband provider that cannot provide adequate voice services, such as a satellite provider, to partner with a voice provider established as an ETC that cannot provide adequate broadband service in a remote area, such as a terrestrial carrier, would provide assurance that the required quality voice and broadband services will be provided. The Commission has acknowledged that satellite service has higher latency which can lead to problems with voice service;⁴³ allowing for partnerships that take advantage of existing infrastructure to provide quality voice service would solve this issue to the benefit of consumers in Remote Areas.

⁴² 47 U.S.C. § 214(e)(1)(A).

⁴³ *FNPRM* at ¶ 1242.

VI. CONCLUSION

For the foregoing reasons Frontier respectfully requests the Commission to adopt the CAF reform plans as set forth above to best ensure effective high-cost broadband deployment.

Respectfully submitted,

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/s/

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